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SUBJECT: HUNGARY: PM ANNOUNCES NEW CABINET (C-RE6-00145)

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SUMMARY

1. (U) On Friday, June 2 in Parliament, PM Gyurcsany announced his new cabinet, setting the stage for much-anticipated administrative and fiscal reforms. The number of ministers will slip from 17 to 12, with eight ministers from coalition leader Hungarian Socialist Party (MSZP), three from junior coalition partner Alliance of Free Democrats (SZDSZ) and one independent.

MINISTRY OF FOREIGN AFFAIRS

2. (SBU) Kinga Goncz, currently Minister of Youth, Family, Social Affairs and Equal Opportunity, is the surprise choice for Foreign Minister (FM). The only independent in the cabinet, she is described by Embassy contacts as highly personable and possessed of the right instincts to fill the foreign policy position. Goncz became political state secretary at the Ministry of Health in May 2002, and later

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Minister of Equal Opportunity in June 2004. Goncz became Minister of Youth, Family, Social Affairs and Equal Opportunities with a convergence of responsibilities from other ministries in October 2004. A psychiatrist by training (MD Semmelweis University of Medicine 1972) and former university professor, Goncz worked at the National Institute of Medicine between 1982 and 1989. She has long played an active role in shaping educational and organizational development policies of social agencies in Hungary. Dr. Goncz has traveled and lectured in the U.S. including visiting scholar positions at the University of Michigan and Case Western University. Her most recent visit to the U.S. was in February 2006 when she represented Hungary at the UN Commission on the Status of Women. Born in Budapest in 1947, Dr. Goncz is the daughter of former Hungarian President Arpad Goncz (a revered figure, who served two terms as the first president of the newly democratic Republic of Hungary).

MINISTRY OF ECONOMY AND TRANSPORT

3. (SBU) Responsibility for information technology (IT) now becomes the province of Economy and Transport Minister Janos Koka, with the merging of his ministry and the Ministry of Informatics. Koka, whose recent focus has been shaping GOH energy and energy security policies, will continue to direct

the Hungarian economy as he has since October 2004. Koka is widely viewed as a possible successor to Gabor Kuncze for SZDSZ party president in 2007. A wealthy IT entrepreneur who won his parliament seat under the SZDSZ banner, Koka is viewed by some in his party as a "non-liberal" for his close personal friendship with PM Gyurcsany and his high standard of living. The youngest member of the cabinet, Koka will be 34 years old in July 2006. Koka accompanied Ambassador Walker on U.S. trade and investment trips and is close to the Embassy.

MINISTRY OF HEALTH

14. (SBU) SZDSZ's Lajos Molnar, a doctor and former hospital administrator, takes over the Ministry of Health in the new Gyurcsany government amidst boisterous calls for reform in his sector. The SZDSZ party made health care a key plank of its campaign and reportedly put up a significant fight for the post during coalition talks. Molnar's party advocates a privatized health-insurance structure and the decentralization of hospital administration, possibly to contracted hospital administrators. It is too early to speculate whether PM Gyurcsany will allow Molnar to make bold changes in health care. At 60 years of age, Molnar is entering Parliament as a first-time MP.

MINISTRY OF ENVIRONMENTAL PROTECTION AND WATER MANAGEMENT

15. (SBU) Environmental Protection Minister Miklos Persany was reportedly the final SZDSZ ministerial pick, chosen in lieu of the Foreign Minister slot. A biologist by training and a specialist in environmental protection, Persany is perceived as an issue expert rather than a politician. He served for ten years as director of the National Zoo and is perhaps the most prepared of any cabinet member for his position.

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Persany is a returning member of the Gyurcsany government, having been chosen previously by Medgyessy to head the ministry. The Embassy (particularly through our ES&T Hub and work with the Regional Environmental Center) has excellent relations with the 56-year-old Persany.

MINISTRY OF DEFENSE

16. (SBU) Imre Szekeres takes over the Ministry of Defense and inherits an organization already severely pressed by budget constraints, with 1.2 percent of GDP and falling. Meanwhile, the Defense Ministry must support Hungarian contingents to international missions, chiefly in the Balkans, Afghanistan and Iraq. In the fall of 2006, Hungary is planning to field a Provincial Reconstruction Team (PRT) to Afghanistan, most likely to Pol-e-Khomri in the north -- but plans to use troops already on the ground in Kabul to form the base of that mission. Szekeres possesses no particular military expertise. The 56-year old Szekeres is a founding member of MSZP, former party caucus leader (1994-1998) and former party vice president. He is a frequent Embassy contact who is well plugged in to internal MSZP party affairs. He now serves as the chair of the MSZP economic section.

MINISTRY OF EDUCATION AND CULTURE

17. (SBU) Former MSZP party president Istvan Hiller is tapped to head the newly merged Ministry of Education and Culture, in a move that he has sought privately for months. His tenure as MSZP party president was long of image and short on substance as PM Gyurcsany personally managed the 2006 MSZP

campaign, keeping Hiller on the sidelines for public relations events. The 40-year-old Hiller has served in Parliament since 2002. A former college professor, Hiller served previously as political state secretary in the (then separate) ministries of education and culture.

MINISTRY OF LOCAL GOVERNMENTAL AND REGIONAL DEVELOPMENT

¶8. (SBU) Former Interior Minister Monika Lamperth will head the newly-minted Ministry of Local Governmental and Regional Development. The organization is regarded by many as "the only completely new ministry" for its new name, and new line-up of responsibilities. Lamperth's ministry will play a key role in implementing administrative reforms by reorganizing services on a regional, rather than local level. The responsibilities Lamperth retains in the new ministry include oversight of local governments, public administration (i.e. local infrastructure and services) and elections. Police and law enforcement functions of the defunct Interior Ministry now come under the Justice and Law Enforcement Ministry's control. New duties siphoned from other ministries include sports affairs and tourism. Initially tapped as Interior Minister in the Medgyessy government, Lamperth has never been considered a close ally of PM Gyurcsany. An MSZP party member since its founding in 1989, Lamperth is popular with her constituents, having been elected by individual mandate in Kaposvar each term since ¶1998. She is 49 years of age.

MINISTRY OF JUSTICE AND LAW ENFORCEMENT

¶9. (SBU) Originally named by Gyurcsany in 2004, Jozsef Petretei will serve a second term as Justice Minister, with the new responsibility of law enforcement, formerly under the Ministry of Interior. Changes of significance in the law enforcement portfolio include oversight of police and border guards, asylum and refugee cases and maintaining the governments collection of personal records (i.e. name, address, birth date, etc.). Though not well defined as yet, Petretei will also play a role in ethnic Hungarian issues and Hungarian citizenship. Sources consider Petretei a "conscientious, well-prepared member of the administration who has the PM's ear" (Note: His connection Gyurcsany goes back to the communist youth movement in Pecs in the early 1980s.) Petretei taught at Pecs University Law School in the 1990s and is an established expert on constitutional law, state structures and separation of powers.

MINISTRY OF FINANCE

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¶10. (SBU) Janos Veres remains at the Ministry of Finance (MOF), a post he has held only since April 2005. A founding member of the MSZP, Veres has served in Parliament continuously since 1994. He was elected from the Bereg county party list three times before winning an individual mandate in 2006. He served as mayor of Nyirbator from 2002 to 2003, when he left to become MOF political state secretary. He moved briefly to serve as political state

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secretary in the Prime Minister's Office (PMO) in October

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2004, before being named as Minister of Finance last April.

MINISTRY OF SOCIAL AFFAIRS AND LABOR

¶11. (SBU) Peter Kiss from the MSZP will head the Social Affairs and Labor Ministry. This organization is the fusion of two former ministries: The Ministry of Youth, Family, Social Affairs and Equal Opportunity; and the Ministry of Employment and Labor. The ministry retains the functions of the old organizations, under one minister, including vocational training programs, drug information programs, unemployment benefits and family welfare services. Formerly, Kiss has served as the Head of the Prime Minister's Office under Medgyessy and Gyurcsany. He was reported to be a rival to Gyurcsany for the Prime Ministership in 2004. He has served as an MP since 1992 and was Minister of Labor in the Horn administration from 1995-1998. He returned briefly to the Labor Ministry from 2002-2003 before taking up his current job in the PMO under the Medgyessy administration in 2003, where he remained under PM Gyurcsany.

MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT

¶12. (SBU) Current MSZP Agriculture Minister Jozsef Graf will take the Ministry of Rural Development post. The ministry retains all the functions from the Agriculture Ministry and has an enhanced responsibility for rural development. From Agriculture, Graf keeps responsibility for farming, game and fish management, forestry, and plant and animal sciences. Under his new "rural development hat," Graf is expected to play a key role in shaping Hungary's EU Agricultural policy, though the specifics of his role are not well defined now. Graf was the first cabinet member PM Gyurcsany announced would remain in his post, during the 2006 national elections, because of his popularity and close relationship with the PM (and his good handling of farmer protests). Graf did not seek reelection to Parliament, where he served from 2002 to 2006, so will serve as Minister without a parliamentary seat. He is 60 years old and was a founding member of the MSZP in ¶1989. Graf gained popularity among farmers for protecting Hungary's interests regarding EU agricultural policy, and for promoting Hungarian products over imported "products of unknown origin." A good friend of the Embassy, but not an English speaker, he is a pig farmer from southern Hungary.

MINISTER IN CHARGE OF THE OFFICE OF THE PRIME MINISTER

¶13. (SBU) Gyorgy Szilvasy, a close confidant of PM Gyurcsany, will serve as Minister for the Prime Minister's Office. He will likely deal with EU budget and fiscal allocation issues that are now controlled directly by the PM's office (Note-Responsibility for EU policy and planning, formerly a separate ministerial position in the PMO, now falls under the purview of the MFA). Though not confirmed, numerous press reports indicate that oversight of Hungary's intelligence services will reside in the PMO. Szilvasy's will also lead e-governance initiatives that make available information and services such as on-line tax filing. A former business partner of PM Gyurcsany, Szilvasy was cabinet chief in 2005. He is considered a career politician and served from 2004 to 2005 as Interior Ministry state secretary, from 2003 to 2004 in the Ministry of Culture, from 2002 to 2003 in the Ministry of Sports, and from 1995 to 1998 in the Ministry of Environmental Protection.

COMMENT

¶14. (SBU) In theory, fewer ministries should make the GOH less unwieldy, and this down-sizing allows Budapest to set a good example for provincial governments that may soon face consolidation themselves. Time will judge the wisdom of combining responsibility for law enforcement and the judiciary in one ministry. Defense will, in all likelihood, face additional budget cuts, regardless of who is at the

helm. Yet all ministries will face hard choices -- as PM Gyurcsany announced on May 31, the 7,500 central state administration employees face cuts of 1,400 by year's end, and an additional 10 percent in 2007.
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